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8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA  
10 SOUTHERN DIVISION

11 SELLER AGENCY COUNCIL, INC., ) SA CV 06-679 AHS (MLGx)  
12 )  
13 Plaintiff, )  
14 )  
15 v. ) FINDINGS OF FACT AND  
16 ) CONCLUSIONS OF LAW IN  
17 KENNEDY CENTER FOR REAL ) SUPPORT OF JUDGMENT FOR  
18 ESTATE EDUCATION, INC., ) DEFENDANTS AND COUNTER  
19 et al., ) DEFENDANTS  
20 )  
21 Defendants. )  
22 )  
23 AND RELATED COUNTERCLAIMS. )  
24 )  
25 )  
26 )  
27 )  
28 )

19 Plaintiff Seller Agency Council, Inc. (hereinafter  
20 "plaintiff" or "SAC") brought the instant action against Kennedy  
21 Center for Real Estate Education, Inc. (hereinafter "KCREE") and  
22 Joe Kennedy (hereinafter "Mr. Kennedy") (collectively  
23 "defendants/counter-claimants") for breach of contract and a  
24 declaration of trademark non-infringement. Defendants/counter-  
25 claimants assert a counter-claim for trademark infringement.  
26 Trial was held before the Court on April 8, 9, 10, 2008 and June  
27 24 and 25, 2008. At the conclusion of trial, the Court took the  
28 matter under submission.

1 After consideration of all exhibits and testimony, the  
2 Final Pretrial Conference Order, both parties' Proposed Findings  
3 of Fact and Conclusions of Law, and based on the parties' briefs  
4 and the Court's own research, the Court makes the following  
5 Findings of Fact and Conclusions of Law in support of judgment  
6 for defendants and counter defendants.

7 I.

8 **FINDINGS OF FACT**

9 **A. Pre-contractual Negotiations**

10 1. Mr. Kennedy, an individual residing in Georgia,  
11 and his company, KCREE, a Georgia corporation, created a valuable  
12 real estate seller agency designation program ("the ASR program")  
13 and developed several trademarks ("the ASR Trademarks") related  
14 thereto, and other intellectual property as more fully stated in  
15 paragraph 7(c) of the Final Pretrial Conference Order  
16 (collectively, "the intellectual property" or "IP").

17 2. The ASR Trademarks include the following federal  
18 registrations: 3,071,769; 3,088,326; 3,093,851; 3,139,782;  
19 3,325,443; and 3,240,837.

20 3. In November 2003, Mr. Kennedy and KCREE began to  
21 market and earn income from the ASR program.

22 4. By 2005, the program sales and revenues were  
23 trending upward when Stefan Swanepoel ("Mr. Swanepoel"), the  
24 owner and president of RealtyU, Inc. (hereinafter "RealtyU"),  
25 approached Mr. Kennedy about the possibility of RealtyU reaching  
26 an agreement with KCREE regarding the ASR program.

27 5. Mr. Swanepoel presented the idea to Mr. Kennedy,  
28 in part, on the promise that Mr. Swanepoel and his company could

1 deliver a substantially greater number of students to Mr.  
2 Kennedy's ASR program (and therefore much greater income for Mr.  
3 Kennedy and KCREE) by virtue of the new company's access to the  
4 RealtyU affiliates across the country and the large number of  
5 students they could provide.

6           6. On June 28, 2005, Mr. Swanepoel and Mr. Kennedy  
7 signed a "Letter Of Intent," which proposed that a new company be  
8 formed. Eventually, the new company was created and incorporated  
9 in Nevada as SAC.

10           7. The June 28, 2005 Letter of Intent set a target of  
11 50,000 registered ASR students by 2010. At that time (June  
12 2005), KCREE had registered fewer than 1,000 ASR students.

13           8. The June 28, 2005 Letter of Intent specified that  
14 other than teaching fees earned by Mr. Kennedy, all student  
15 course fees, provider licensing, and renewals would "be for the  
16 account of Newco" (the new company to be formed).

17           9. On July 7, 2005, Mr. Swanepoel sent an e-mail to  
18 Mr. Kennedy proposing to execute a "stock purchase agreement,"  
19 subsequently form the new company, and then to "formally close"  
20 the purchase at a date in the future.

21           10. As part of the negotiations and discussions  
22 between Mr. Swanepoel and Mr. Kennedy, they discussed that the  
23 contract they were negotiating would call for a closing to be  
24 conducted after the contract was signed, at which time the  
25 transfer of rights between the parties would take place.

26           11. From June 28 through early September, 2005, Mr.  
27 Swanepoel and Mr. Kennedy had numerous e-mail and telephone  
28 discussions about how to structure a deal between RealtyU and Mr.

1 Kennedy and KCREE.

2 12. It was proposed by Mr. Swanepoel that RealtyU and  
3 KCREE would own 51%-49%, respectively, in the new SAC company.

4 13. On July 11, 2005, Mr. Kennedy e-mailed Mr.  
5 Swanepoel and detailed some concerns that he had about the  
6 proposed deal. Among the concerns raised by Mr. Kennedy were the  
7 following: (a) the low initial value of the stock to be  
8 transferred; (b) the new company's apparent ability to  
9 subsequently transfer its assets to a third party; (c) the loss  
10 of control of the IP once transferred to the new company; and (d)  
11 Mr. Swanepoel's apparent control of everything upon execution of  
12 the then-proposed agreement.

13 14. On July 12, 2005, Mr. Swanepoel spoke with Mr.  
14 Kennedy about his concerns and then the next day sent a reply e-  
15 mail to Mr. Kennedy to address the concerns raised. In this  
16 reply e-mail, Mr. Swanepoel promised that: (a) every year the  
17 new company would distribute the profits of the company; and (b)  
18 as "Chief Operating Officer" ("COO") of the new company, Mr.  
19 Kennedy would have "control over the daily operations of the  
20 company."

21 15. On July 19, 2005, Mr. Kennedy sent another e-mail  
22 to Mr. Swanepoel further expressing his concerns about KCREE's  
23 vulnerability as a potential minority shareholder.

24 16. On July 19, 2005, Mr. Swanepoel sent a reply e-  
25 mail to Mr. Kennedy in which Mr. Swanepoel proposed that the  
26 "Bylaws" of the new company would be written so "that the assets  
27 of the company cannot be sold, nor the business proposition  
28 changed, etc. without a 60% majority vote of the Shareholders.

1 That way [Mr. Kennedy would] have a type of veto right."

2 17. To further address Mr. Kennedy's concerns about  
3 minority protections, Mr. Swanepoel sent an e-mail on July 28,  
4 2005, proposing that the 60% majority of shareholders' "veto  
5 right" of Mr. Kennedy would be effective to prevent the company  
6 from taking actions without Mr. Kennedy's approval to: "i) alter  
7 or change the rights, preferences or privileges of any  
8 shareholder; ii) amend the Corporation's Articles of  
9 Incorporation; or iii) liquidate or dissolve this corporation."

10 18. Mr. Swanepoel's e-mail of July 28, 2005, also  
11 proposed that the final agreement include a provision ensuring  
12 the parties would take "all appropriate action to cause the  
13 Corporation to perform and comply with each of the covenants and  
14 agreements contained in this Agreement and to take the best  
15 overall action for the corporation at all times."

16 19. Some time in August of 2005, Mr. Swanepoel sent  
17 another draft of the agreement for consideration and possible  
18 execution by Mr. Kennedy.

19 20. On August 29, 2005, Mr. Kennedy sent another e-  
20 mail to Mr. Swanepoel expressing further concerns with the latest  
21 proposed written agreement, including that: (a) the proposed  
22 agreement incorrectly referred to a "merger" of businesses; and  
23 (b) "fees" should be turned over to the new company only after a  
24 particular date.

25 21. On September 1, 2005, Mr. Swanepoel replied by e-  
26 mail and confirmed that the transaction proposed in the draft  
27 agreement was to be the exchange of stock for assets, not a  
28 merger, and that Mr. Kennedy was to be named COO of the new

1 company.

2 22. Mr. Swanepoel's September 1, 2005 e-mail to Mr.  
3 Kennedy also confirmed that the new company would not be entitled  
4 to any "fees" until the "day we close and all conditions  
5 stipulated in the agreement has [sic] been met."

6 23. On September 2, 2005, Mr. Swanepoel e-mailed Mr.  
7 Kennedy the final version of the stock purchase agreement for  
8 review, along with two additional agreements the parties had  
9 negotiated. The September 2, 2005 e-mail from Mr. Swanepoel  
10 indicated that once the agreement was signed, Mr. Swanepoel and  
11 Mr. Bill Shue would: (a) execute the agreement and send a copy  
12 back to Mr. Kennedy; (b) proceed to incorporate the new company,  
13 Seller Agency Council, in Nevada; (c) prepare a "closing  
14 checklist"; and (d) prepare to issue share certificates, etc.  
15 The e-mail indicated that Mr. Swanepoel thought they could "close  
16 before the end of" September 2005.

17 24. As a result of these negotiations, prior to  
18 signing the three contracts in early September 2005, Mr. Kennedy  
19 had been promised two important things by Mr. Swanepoel, namely:  
20 (a) greater income as a result of more students going through the  
21 course; and (b) adequate minority shareholder protections.

22 25. The promised minority protections upon which Mr.  
23 Kennedy and KCREE were relying included the promise (a) in the  
24 Stock Purchase Agreement (§ 2.16) that Mr. Kennedy would see the  
25 written Bylaws and Articles of Incorporation prior to closing;  
26 (b) that certain protections would be written into the articles  
27 and/or bylaws; (c) that Mr. Kennedy was to be employed as the COO  
28 of SAC, so that he could keep the new company from taking actions

1 harmful to KCREE's interests as a minority shareholder; (d) that  
2 course fee revenue and renewal fee revenue generated from the  
3 program were to be strictly for the account of the new company  
4 only, not to RealtyU or KCREE; and, (e) the promise of proper  
5 operation of the new company to ensure its profitability and to  
6 guard against siphoning off monies to any other organization.

7           26. By way of these pre-execution promises, Mr.  
8 Swanepoel convinced Mr. Kennedy to execute the agreements. Mr.  
9 Kennedy signed agreements with SAC in September 2005 and he and  
10 his company promptly began to cooperate with RealtyU and/or SAC  
11 to market his ASR program.

12 **B. The Agreements and Conduct of the Parties after**  
13 **Execution of the Agreements**

14           27. On or about September 8, 2005, SAC and Mr. Kennedy  
15 and KCREE executed three agreements, namely the Stock Purchase  
16 Agreement, the Employment Agreement, and the Marketing Agreement.

17           28. SAC performed in part under the Marketing  
18 Agreement by making all payments required under the Marketing  
19 agreement up and through June 30, 2006, and under the Employment  
20 Agreement by employing Mr. Kennedy as COO and reimbursing him for  
21 all expenses incurred therein.

22           29. The Stock Purchase Agreement set out how and when  
23 SAC was to acquire KCREE's intellectual property. The Stock  
24 Purchase Agreement did not specify that the parties were  
25 exchanging assets at the time of execution of the agreement and  
26 did not itself effect any transfer. Instead, Paragraphs 1.1 and  
27 1.2 of the Stock Purchase Agreement called for a subsequent  
28 closing within 30 days, at which time SAC was to acquire the

1 intellectual property from KCREE in exchange for 490,000 shares  
2 of stock. But before the closing was to take place, SAC was  
3 required to meet certain conditions precedent.

4 30. The Stock Purchase Agreement was executed on  
5 September 8, 2005, and the 30-day deadline for conducting a  
6 closing was October 8, 2005.

7 31. No closing was conducted by October 8, 2005, and  
8 the closing called for in the Stock Purchase Agreement has not  
9 been conducted.

10 32. Paragraph 2.16 of the Stock Purchase Agreement  
11 calls for plaintiff to deliver its corporate articles and bylaws  
12 to defendant prior to the closing.

13 33. Plaintiff did not deliver its corporate articles  
14 and bylaws to defendants prior to October 8, 2005.

15 34. Plaintiff first produced its corporate articles  
16 and bylaws to defendants in October of 2007 as an exhibit to its  
17 opposition to defendants' Motion for Sanctions.

18 35. Prior to the filing of this lawsuit, plaintiff did  
19 not deliver any stock certificates to defendants/counter-  
20 claimants.

21 36. Mr. Kennedy first saw copies of SAC stock  
22 certificates at his deposition in this suit on May 22, 2007. The  
23 persons who executed the stock certificates have now admitted in  
24 affidavits that they did not actually execute the stock  
25 certificates on October 3, 2005, which would have been inside the  
26 30-day closing period, but instead executed them at a later date  
27 outside the 30-day period.

28 37. Paragraph 2.2 of the Stock Purchase Agreement

1 calls for SAC to "authorize" 1,000,000 shares of SAC stock.

2 38. Prior to the filing of this action, SAC had not  
3 authorized 1,000,000 shares of SAC stock, and SAC has never  
4 authorized 1,000,000 shares of SAC stock.

5 39. SAC has not authorized more than 75,000 shares of  
6 SAC stock.

7 40. Paragraphs 1.1 and 2.2 of the Stock Purchase  
8 Agreement call for SAC to "issue" 490,000 shares of stock to  
9 KCREE and 510,000 shares of stock to RealtyU at the closing.

10 41. Paragraphs 1.1 and 2.2 of the Stock Purchase  
11 Agreement call for SAC to "deliver" a stock certificate to KCREE  
12 representing 490,000 shares of stock at the closing.

13 42. Paragraphs 1.1 and 1.2 of the Stock Purchase  
14 Agreement calls for SAC to "transfer" 490,000 shares of stock to  
15 KCREE at the closing in exchange for a Bill of Sale representing  
16 specified intellectual property assets of KCREE, including the  
17 ASR Trademarks.

18 43. SAC did not issue, deliver, or transfer 490,000  
19 shares of stock to KCREE prior to October 8, 2005, or at any  
20 time.

21 44. SAC failed to "deliver" a stock certificate to  
22 KCREE representing 490,000 shares of stock by October 8, 2005, or  
23 at any time.

24 45. No person or entity acting on behalf of KCREE  
25 acquired or took possession of any stock certificates from  
26 Plaintiff SAC.

27 46. Paragraph 1.3 required SAC to take the best  
28 overall actions for the company.

1           47. SAC did not take the best overall actions for the  
2 company, because, *inter alia*, it diverted substantially all, if  
3 not all, of the student course fees to RealtyU instead of to SAC.

4           48. Paragraphs 1.1, 1.2, and 5.3 of the Stock Purchase  
5 Agreement call for KCREE to "deliver" a Bill of Sale to SAC at  
6 the closing in exchange for the delivery of the stock certificate  
7 representing 490,000 shares of stock in SAC.

8           49. Paragraph 5.3 of the Stock Purchase Agreement  
9 calls for the Bill of Sale to be in a "mutually agreed" form.

10           50. The Stock Purchase Agreement does not specify  
11 which party had the responsibility for preparing the Bill of  
12 Sale.

13           51. Defendants/counter-claimants have not executed any  
14 assignment document or Bill of Sale to transfer any trademarks to  
15 the Plaintiff.

16           52. Defendants/counter-claimants have not transferred  
17 or assigned any trademarks to SAC.

18           53. Defendants/counter-claimants have not transferred  
19 or assigned legal title in or to any intellectual property to  
20 SAC.

21           54. Despite the failure of SAC to comply with all the  
22 terms of the Stock Purchase Agreement, Mr. Kennedy remained  
23 hopeful that they could yet work it out. Over the course of the  
24 next several months, Mr. Kennedy continued to work with SAC and  
25 RealtyU. From time to time, Mr. Kennedy asked SAC about when  
26 they were going to conduct a closing and exchange stock for the  
27 intellectual property. At each inquiry, he was told that for one  
28 reason or another SAC was not prepared to do so just yet. The

1 first time he asked (not long after the 30-day closing window had  
2 expired), Mr. Kennedy was told that the stock certificates were  
3 not ready. Over those same several months after executing the  
4 agreements, Mr. Kennedy met with SAC in California several times.  
5 At no time did anyone at SAC indicate that the stock certificates  
6 were ready or otherwise indicate that SAC was ready to close the  
7 deal.

8           55. Eventually, Mr. Kennedy discovered that, although  
9 he had the title of COO, he did not have the power that attends  
10 such a position. Instead, important decisions were being made  
11 without his approval or input. He had no access to any financial  
12 data for the new company. He also learned that a significant  
13 stream of ASR program revenue was being diverted to RealtyU (to  
14 benefit Stefan Swanepoel and other RealtyU owners), instead of  
15 flowing to SAC.

16           56. Mr. Kennedy stopped working with SAC and RealtyU.  
17 By way of a demand letter from counsel, he demanded that SAC stop  
18 using his program and trademarks. The July 12, 2006 demand  
19 letter also informed SAC that it had no rights in the trademarks  
20 under the contract.

21           57. The trademarks being used by SAC are identical to  
22 the ASR Trademarks registered by KCREE.

23           58. From September 8, 2005, until July 12, 2006,  
24 defendants/counter-claimants were aware that SAC was using the  
25 ASR trademarks and did not object to such use. It is undisputed  
26 that for that period of time, SAC had permission or an implied  
27 license to use the ASR Trademarks.

28           59. SAC's permission to use the ASR trademarks after

1 July 12, 2006 is disputed. However, after the July 12, 2006  
2 letter was received by SAC - and as late as November 2007, well  
3 after the commencement of this action - Mr. Kennedy continued to  
4 ask SAC to make use of the intellectual property by requesting  
5 that it process certificates and certify members in the ASR  
6 program for classes. In addition, Mr. Kennedy continued to  
7 forward student information to SAC to be included in SAC's  
8 "website system" during this time period. This conduct was  
9 consistent with Mr. Kennedy's conduct prior to the July 12, 2006  
10 cease and desist letter and inconsistent with the demand set  
11 forth in the letter.

12 **II.**

13 **CONCLUSIONS OF LAW**

14 1. Generally, the contracts at issue in this dispute  
15 are subject to interpretation under California law. However, the  
16 internal affairs of SAC, including what constitutes "issuance"  
17 and "delivery" of stock shares, is a matter of Nevada law, since  
18 SAC is incorporated in Nevada.

19 2. The issues in this case are largely tied to the  
20 Court's determination of who owns the intellectual property at  
21 issue. That question turns on the Court's interpretation the  
22 Stock Purchase Agreement. Generally speaking, the interpretation  
23 of a contract is a legal question for the Court. See Kern Oil &  
24 Refining Co. v. Tenneco Oil Co., 792 F.2d 1380, 1383 (9th Cir.  
25 1986), cert. denied, 480 U.S. 906 (1987).

26 3. The language of a contract is to govern its  
27 interpretation, if the language is clear and explicit, and does  
28 not involve an absurdity. See Cal. Civ. Code § 1638. When a

1 contract is reduced to writing, the intention of the parties is  
2 to be ascertained from the writing alone, if possible. See Cal.  
3 Civ. Code § 1639; see also Falkowski v. Imation Corp., 132 Cal.  
4 App. 4th 499, 505-506 (2005). Contractual interpretation turns  
5 on "what was intended by what was said – not what a party  
6 intended to say." Falkowski, 132 Cal. App. 4th at 505-506  
7 (2005). Thus, a contract must receive such an interpretation as  
8 will make it lawful, operative, definite, reasonable, and capable  
9 of being carried into effect, if it can be done without violating  
10 the intention of the parties. See Cal. Civ. Code § 1643.

11 4. Under California law, a contract must be  
12 interpreted to give effect to the mutual intention of the parties  
13 as it existed at the time of contracting, so far as the same is  
14 ascertainable and lawful. See Cal. Civ. Code § 1636. When faced  
15 with a dispute over the meaning of a contractual provision, a  
16 court must first determine whether the provision is ambiguous,  
17 i.e., whether, on its face, the language of the provision is  
18 capable of different, yet reasonable interpretations. Falkowski,  
19 132 Cal. App. 4th at 505-506.

20 5. If an ambiguity is found, the court must determine  
21 which of the plausible meanings the parties actually intended.  
22 Id. For the purpose of ascertaining the parties' intention, if  
23 otherwise doubtful, the rules given in Cal. Civ. Code §§ 1635-  
24 1663 are to be applied. See Cal. Civ. Code § 1637.

25 6. Therefore, if the parties offer no extrinsic  
26 evidence concerning the meaning of the contractual language, or  
27 when extrinsic evidence is offered but not in conflict,  
28 ascertaining the intended meaning is solely the duty of the

1 Court. See Falkowski, 132 Cal. App. 4th at 505-506.

2 7. The language of the contract at issue here is  
3 clear and not ambiguous according to its express terms. The  
4 Stock Purchase Agreement sets forth specific terms and conditions  
5 that guide and control the conduct of the parties to the  
6 contract, including the purchase of SAC stock and the transfer of  
7 intellectual property assets owned by KCREE. The parties do not  
8 appear to differ substantially about the meaning of the terms of  
9 the contract, but instead disagree about whether the intellectual  
10 property of KCREE has been transferred to SAC.

11 8. Generally, the words of a contract are to be  
12 understood in their ordinary and popular sense, rather than  
13 according to their strict legal meaning unless used by the  
14 parties in a technical sense, or unless a special meaning is  
15 given to them by usage, in which case the latter must be  
16 followed. See Cal. Civ. Code § 1644. Technical words are to be  
17 interpreted as usually understood by persons in the profession or  
18 business to which they relate, unless clearly used in a different  
19 sense. See Cal. Civ. Code § 1645.

20 9. In evaluating the contractual language, courts  
21 also "take into account all the facts, circumstances and  
22 conditions surrounding the execution of the contract."  
23 Falkowski, 132 Cal. App. 4th at 505-506.

24 10. The Stock Purchase Agreement refers to the parties  
25 conducting a "closing" after executing the agreement. The Stock  
26 Purchase Agreement also refers to "delivery" of stock  
27 certificates and "delivery" of a Bill of Sale. Regardless of  
28 whether an ordinary or technical definition is applied to the

1 terms "closing" and "delivery," the result is the same.

2 11. Both plaintiff and Mr. Kennedy are real estate  
3 professionals and, therefore, often deal with "closings" and know  
4 that a closing is generally a final meeting between the parties,  
5 at which the transaction is consummated through the exchange of  
6 consideration.

7 12. It is widely understood that a stock certificate  
8 is not "issued" until it passes from the custody of the issuer  
9 into the possession of a bearer or an agent of the bearer.  
10 Modern Securities Transfers, § 10.01[1] (2001). In fact, the  
11 essential element of a transfer of a stock certificate is the  
12 "delivery" of the certificate to the bearer. Id. at § 5.01.  
13 Nevada Law explicitly states that "delivery" is defined as the  
14 "voluntary transfer of possession." See Nev. Rev. Stat. Ann. §  
15 104.1201(o). Furthermore, delivery – and therefore issuance – of  
16 a certified security (such as a stock certificate) to a purchaser  
17 occurs when:

- 18 (a) The purchaser acquires possession of the security  
19 certificate;
- 20 (b) Another person, other than a securities  
21 intermediary, acquires possession of the security  
22 certificate on behalf of the purchaser or, having  
23 previously acquired possession of the certificate,  
24 acknowledges that it holds for the purchaser; or
- 25 (c) A securities intermediary acting on behalf of the  
26 purchaser acquires possession of the security  
27 certificate, only if the certificate is in  
28 registered form and it registered in the name of

1 the purchaser, payable to the order of the  
2 purchaser, or specially endorsed to the purchaser  
3 by an effective endorsement and has not been  
4 endorsed to the securities intermediary or in  
5 blank.

6 See Nev. Rev. Stat. Ann. § 104.8301.

7 13. The Stock Purchase Agreement explicitly called for  
8 the delivery of the stock certificate by plaintiff to KCREE.  
9 Plaintiff did not physically deliver any stock certificate to  
10 KCREE, nor did any entity acting on behalf of KCREE acquire  
11 possession of the stock certificates from SAC.

12 14. The fact that plaintiff claims to have prepared a  
13 stock certificate is not sufficient to meet the standard for  
14 delivery (using either an ordinary or technical definition).  
15 Mere preparation for physical delivery does not constitute legal  
16 delivery. See, e.g., Kaufman v. Diversified Indus., Inc., 460  
17 F.2d 1331, 1334-35 (2nd Cir.), cert. denied, 409 U.S. 1038  
18 (1972); Securities & Exchange Comm. v. John E. Samuel & Co., Fed.  
19 Sec. L. Rep. para. 93,720, at 93, 197 (S.D.N.Y. 1973) ("[N]othing  
20 less than physical delivery to the purchaser or his agent will  
21 complete the exchange of securities and thereby vest title in the  
22 purchaser.").

23 15. Neither does the allegation by plaintiff that the  
24 Board of Directors authorized the issuance of 36,750 shares of  
25 stock to KCREE affect delivery; the mere instruction by the  
26 issuer to issue stock certificates does not amount to delivery.  
27 See Kaufman, 460 F.2d at 1334-35.

28 16. SAC did not deliver any share certificates to

1 KCREE and, without delivery, KCREE does not have legal title in  
2 and to any SAC share certificates.

3 17. The unambiguous language of the Stock Purchase  
4 Agreement required that several conditions precedent be met  
5 before SAC could acquire title to the specified intellectual  
6 property assets owned by KCREE. This proposed exchange of stock  
7 for intellectual property was predicated on the completion and/or  
8 observance of the following terms and conditions found in the  
9 Stock Purchase Agreement:

- 10 a. Within 30 days from the execution of the  
11 Stock Purchase Agreement, a closing was  
12 required to take place. (§1.1, §1.2)
- 13 b. Plaintiff was required to be incorporated as  
14 a Nevada corporation prior to closing (within  
15 30 days) (§2.1);
- 16 c. Plaintiff was required to deliver the  
17 Articles and Bylaws of SAC to KCREE prior to  
18 conducting a closing. (§2.16)
- 19 d. At all times Plaintiff was required to take  
20 the best overall actions for SAC. (§1.3)
- 21 e. Plaintiff was required to authorize the  
22 issuance of 1,000,000 shares of stock prior  
23 to the closing. (§2.2)
- 24 f. At the closing, plaintiff was required to  
25 issue 490,000 shares of stock to KCREE and  
26 510,000 shares of stock to RealtyU. (§1.1,  
27 §2.2 )
- 28 g. At the closing, plaintiff was required to

1 deliver to KCREE a duly executed stock  
2 certificate representing the 490,000 shares  
3 of stock. (§1.1, §1.2)

4 h. At the closing, KCREE was required to deliver  
5 a mutually agreeable Bill of Sale that  
6 legally transferred all rights, title and  
7 interest to the intellectual property assets  
8 to Plaintiff in exchange for the stock  
9 certificate representing the 490,000 shares  
10 of stock. (§1.1, §1.2, §5.3)

11 18. Of the foregoing express conditions, only the  
12 second item has been satisfied. Therefore, under the Court's  
13 interpretation of the Stock Purchase Agreement and in light of  
14 the Court's findings of fact, the Court concludes that by  
15 operation of the Stock Purchase Agreement and the conduct of the  
16 parties in relation thereto, there has been no transfer of  
17 intellectual property rights from KCREE to SAC.

18 19. In addition, plaintiff has unclean hands. (See ¶  
19 47.) California law prohibits a party from taking advantage of  
20 his own wrong. Cal. Civ. Code § 3517 (2007). Thus, a claimant  
21 must "act fairly in the matter for which he seeks a remedy. He  
22 must come into court with clean hands, and keep them clean, or he  
23 will be denied relief, regardless of the merits of his claim."  
24 Kendall-Jackson Winery, Ltd. v. Superior Court of Stanislaus  
25 County, 76 Cal. App. 4th 970, 978 (1999). Generally, California  
26 courts look to the nature of the misconduct and the relationship  
27 of the misconduct to the claimed injuries to determine if the  
28 doctrine of unclean hands bars recovery. Blain v. Doctor's Co.,

1 222 Cal. App. 3d 1048, 1060 (1990). (The nature of the  
2 misconduct need not be a crime or a tort, but "[a]ny conduct that  
3 violates conscience, or good faith, or other equitable standards  
4 of conduct is sufficient cause to invoke the doctrine." Id. at  
5 979. However, "[t]he misconduct must 'prejudicially affect . . .  
6 the rights of the person against whom the relief is sought so  
7 that it would be inequitable to grant such relief.'" Id.  
8 (quoting Mattco Forge, Inc. v. Arthur Young & Co., 52 Cal. App.  
9 4th 820, 846 (1997))).

10 20. Plaintiff has failed to perform in equity and  
11 therefore the plaintiff is barred from seeking specific  
12 performance under the Stock Purchase Agreement due to SAC's  
13 unclean hands.

14 21. Having concluded that under the Stock Purchase  
15 Agreement that KCREE remains the owner of the intellectual  
16 property at issue, the Court next turns to the question of  
17 whether the conduct of the parties gives SAC any power or right  
18 to obtain the intellectual property of KCREE other than through  
19 conducting a closing prior to July 12, 2006 (the date of the  
20 demand letter) and in the manner as stated in the contract. The  
21 Court concludes that the Stock Purchase Agreement exclusively  
22 controls the rights of SAC to obtain rights in the intellectual  
23 property, inasmuch as it includes an "Entire Agreements"  
24 provision (§ 8.9, barring the parties from being bound by items  
25 outside the contract) and an "Amendments" provision (§ 8.7,  
26 barring amendment of the contract other than by written agreement  
27 or by express permission of the other party).

28 22. The agreement has not been modified in a writing

1 signed by both parties, nor has SAC specifically requested and  
2 received a waiver of any provisions of the contract from KCREE.  
3 As such, the Court concludes that SAC's only mechanism for  
4 obtaining rights in the intellectual property was through the  
5 specific provisions of the contract.

6           23. Inasmuch as KCREE was the owner of the ASR  
7 Trademarks and certain copyrights before the execution of the  
8 Stock Purchase Agreement and the Stock Purchase Agreement and/or  
9 subsequent modifications to the Agreement have not caused any  
10 transfer thereof, the Court concludes that KCREE is still the  
11 owner of the ASR Trademarks and copyrights.

12           24. All parties in the present action have stipulated  
13 that the conduct/actions of the plaintiff/counter defendants  
14 constitute trademark infringement if the KCREE is found to be the  
15 rightful owner of the intellectual property assets at issue (and  
16 if the plaintiff/counter-defendants are not found to have some  
17 rights to use the marks after July 12, 2006). As set forth  
18 above, the Court has concluded that KCREE has been the rightful  
19 owner throughout this controversy, and continues to be the owner  
20 of such intellectual property assets.

21           25. Any right or permission of plaintiff/counter  
22 defendants to use the trademarks of KCREE end upon entry of  
23 judgment. The parties stipulated that use of the intellectual  
24 property at issue by SAC would constitute trademark infringement  
25 unless SAC had a right to use the intellectual property after  
26 July 12, 2006 by "ownership, license or permission (whether  
27 implied or expressed)." (See Final Pretrial Conference Order, at  
28 4). Though the Court finds KCREE owns the intellectual property

1 at issue, it finds defendants'/counter-claimants' conduct after  
2 they sent the July 12, 2006 demand letter led plaintiff/counter-  
3 defendants to believe that they continued to have "permission" to  
4 use the trademarks. Defendants/counter-claimants therefore may  
5 not recover damages or royalties from counter-defendants in light  
6 of their acquiescence to their use of the trademarks even after  
7 demanding that cessation and plaintiff's/counter defendants'  
8 initiation of this litigation. See 15 U.S.C. § 1115(b)(9);  
9 ProFitness Physical Therapy Center v. Pro-Fit Orthopedic & Sports  
10 Physical Therapy P.C., 314 F.3d 62, 67 (2d Cir. 2002) (setting  
11 forth the elements of acquiescence).

12 26. Under the Lanham Act, the prevailing trademark  
13 owner is entitled to an award of damages and an injunction. See  
14 15 U.S.C. § 1117. Because the Court finds that  
15 plaintiff's/counter defendants' use of the intellectual property,  
16 including use past the commencement of this litigation, was with  
17 defendants'/counter-claimants' consent and acquiescence, an award  
18 of damages or royalties is not appropriate.

19 27. The Court finds that a permanent injunction is  
20 appropriate. Inasmuch as the counter-defendants have been put on  
21 notice of the infringement since trial, the Court concludes that  
22 the counter defendants have had time to prepare for a transition  
23 to not using the trademarks. Accordingly, the Court enjoins the  
24 counter-defendants against infringing or otherwise making use of  
25 counter-claimants' intellectual property from the entry of  
26 judgment.

27 28. Because the Court finds plaintiff/counter  
28 defendants had permission to use the trademarks both prior to and

1 following defendant's cessation letter, attorney's fees based on  
2 trademark infringement are not warranted.

3 **III.**

4 **CONCLUSION**

5 For the foregoing reasons, the Court finds in favor of  
6 defendants on the Complaint and in favor of counter defendants on  
7 the Counterclaim.

8 The Clerk shall serve the Court's Findings of Fact and  
9 Conclusions of Law on all counsel of record for all parties in  
10 this action. The Clerk shall enter judgment as above stated.  
11 Each party shall bear its own costs.

12 Dated: September 29, 2008.

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14 ALICEMARIE H. STOTLER

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Alicemarie H. Stotler  
16 Chief U.S. District Judge  
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